

Message Text

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INFO OCT-01 ISO-00 ONY-00 ES-01 /010 R

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FM SECSTATE WASHDC

TO AMEMBASSY LISBON

C O N F I D E N T I A L STATE 223937

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LIMDIS

E.O. 11652: GDS

TAGS: EAID, PO

SUBJECT: PORTUGUESE LOAN REQUEST

FOR THE AMBASSADOR

1. WE HAVE BEEN IN TOUCH SEVERAL TIMES WITH TREASURY
ON THE REQUEST PUT TO YOU BY SOARES LAST FRIDAY. OUR
READING OF THE SITUATION IS THE FOLLOWING:

2. TREASURY WILL BE SYMPATHETIC TO SOMETHING LIKE THE
FIRST LOAN IF REPEAT IF THE PROGRAM TO BE ANNOUNCED
BY THE GOVERNMENT ATTACKS WHAT TREASURY VIEWS AS THE KEY
TO PORTUGAL'S ECONOMIC PROBLEMS; (1) INTEREST RATES;
(2) EXCHANGE RATES; (3) WORKER PRODUCTIVITY. IF SATISFIED
ON THESE POINTS TREASURY WOULD AGREE THAT AN ECONOMIC
BASIS FOR SUCH A LOAN EXISTED. TREASURY WOULD SEE IT AS ONE
FOR SIX MONTHS TO BE REPAYED BY A DRAWING FROM THE INF OR
ELSEWHERE. WE HAVE EMPHASIZED THE POLITICAL ARGUMENTS,
ARGUING THAT DETAILS OF A PROGRAM POINTING IN THE RIGHT
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DIRECTION SHOULD NOT DETERMINE THE JUSTIFICATION FOR A LOAN

WHOSE PURPOSES ARE AS MUCH POLITICAL AS ECONOMIC, ES-
PECIALLY WHEN PORTUGAL ENTERS INTO A DIFFICULT PERIOD OF
GRAPPLING VIA UNPOPULAR MEASURES WITH ITS GREAT ECONOMIC
PROBLEMS.

3. THE BILLION DOLLAR SIZE OF THE LONGER TERM LOAN HAS
HAD A NEGATIVE EFFECT IN TREASURY. FEELING SEEMS TO
BE THAT THE AMOUNT IS EXCESSIVE AND THAT DIRECT APPEAL
TO U.S. ALONE IS NOT REALISTIC. WE ARE TAKING THE LINE
THAT A CONSORTIUM (INCLUDING INTERESTED INSTITUTIONS)
COULD BE INFERRED, BUT TACTICALLY WE ARE CONCENTRATING
ON SOARES' FIRST, SMALLER REQUEST. KISSINGER

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INSTRUCTIONS, DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 SEP 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE223937
Document Source: CORE
Document Unique ID: 00
Drafter: REBARBOUR:MS
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760341-1009
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760972/aaaacjms.tel
Line Count: 73
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 04 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 MAY 2004 by BoyleJA>; APPROVED <30 AUG 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PORTUGUESE LOAN REQUEST FOR THE AMBASSADOR
TAGS: EAID, PO, US
To: LISBON
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006